

Message Text

CONFIDENTIAL

PAGE 01 BONN 08262 01 OF 03 090603 Z

11

ACTION EUR-25

INFO OCT-01 ADP-00 SCEM-02 COME-00 EB-11 TRSE-00 CIAE-00

DODE-00 PM-07 H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03

RSC-01 PRS-01 SS-15 USIA-12 OMB-01 INT-08 STR-08

SAJ-01 NIC-01 ACDA-19 RSR-01 FPC-01 /143 W

----- 042178

R 081840 Z JUN 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5625

INFO AMEMBASSY HELSINKI

AMEMBASSY VIENNA

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

USMISSION BERLIN

USMISSION EC BRUSSELS

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

C O N F I D E N T I A L SECTION 01 OF 03 BONN 08262

E. O. 11652: GDS

TAGS: ETRD, GW, GE

SUBJECT: INNER- GERMAN TRADE: WEST GERMAN ASSESSMENT
IN THE LIGHT OF THE FRG/ GDR BASIC TREATY

REF: A. BONN A-83, B. BONN 4658, C. BONN A-206

D. BERLIN 951

1. SUMMARY. THE FRG ECONOMIC EXPERTS RESPONSIBLE FOR
INNER- GERMAN TRADE (IGT) VIEW THE BASIC TREATY AS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 08262 01 OF 03 090603 Z

REINFORCING BUT CHANGING THE SPECIAL TRADING RELATIONSHIP BETWEEN THE TWO GERMAN STATES. THEY BELIEVE THE SIGNING OF THE BASIC TREATY HAS ELIMINATED SOME OF THE POLITICAL IMPORTANCE OF IGT AS A DEMONSTRATION OF THE SPECIAL RELATIONSHIP BETWEEN THE TWO GERMAN STATES. CONSEQUENTLY, THEY SEE LITTLE LIKELIHOOD THAT THE GDR WILL NOW DEPRIVE ITSELF OF THE UNDENIABLE ECONOMIC ADVANTAGES OF THIS TRADE, CALCULATED AT DM 400-500 MILLION ANNUALLY. ON THE OTHER HAND, THEY DO EXPECT THE EAST GERMANS, FOR POLITICAL AND OTHER REASONS, TO INCREASE THEIR TRADE WITH OTHER WESTERN STATES AT A GREATER RATE THAN THAT WITH THE FRG.

2. WEST GERMAN IGT EXPERTS WILL ASSIST THIS DEVELOPMENT BECAUSE THEY APPEAR DETERMINED TO BRING THE FRG/ GDR TRADE ACCOUNT MORE INTO BALANCE THAN HAS BEEN THE CASE IN RECENT YEARS. THEY ARE NOW DEMANDING RECIPROCAL ADVANTAGES IN AN EFFORT TO REVERSE THE PAST TREND WHERE THE FRG MADE ALL THE CONCESSIONS TO ENSURE THE CONTINUATION OF THE INNER- GERMAN TRADING RELATIONSHIP.

3. IN KEEPING WITH THEIR DEMANDS FOR RECIPROCITY BUT IN CONTRADICTION TO THEIR DESIRE TO INCREASE GDR SALES TO THE FRG, IGT OFFICIALS HAVE BEGUN STRICTLY REGULATING GDR STEEL DELIVERIES TO WEST GERMANY. THIS ACTION HAS BEEN TAKEN TO FORCE THE EAST GERMANS TO ABIDE BY EARLIER COMMITMENTS FOR SIZEABLE PURCHASES FROM THE FRG'S STEEL INDUSTRY. END SUMMARY.

3. WITH THE SIGNING AND RATIFICATION OF THE BASIC TREATY, BONN'S IGT EXPERTS HAVE ADOPTED A NARROWER ECONOMIC FOCUS THAN PREVIOUSLY. (THEY FULLY RECOGNIZE, HOWEVER, THE FRG'S CONTINUING POLITICAL INTEREST IN THIS SPECIAL TRADE WHICH ACCOUNTS FOR ONLY 1.9 PERCENT OF THE FRG'S FOREIGN TRADE.) IN A PERIOD OF GROWING TRADE SURPLUSES AND RISING INFLATION, THEIR CONCERN IS WITH BALANCING THE INNER- GERMAN TRADING ACCOUNTS RATHER THAN EXPANDING FRG SALES TO THE GDR.

4. FRG ANALYSES OF THE GDR ECONOMY LEND LITTLE ENCOURAGEMENT TO THOSE WHO ADVOCATE A MORE EQUAL TRADING

CONFIDENTIAL

PAGE 03 BONN 08262 01 OF 03 090603 Z

RELATIONSHIP. FRG OFFICIALS EXPECT THE GDR TO CONTINUE INCREASING ITS TRADE SURPLUSES WITH COMECON STATES AND ITS TRADE DEFICITS WITH WESTERN COUNTRIES. ONE PROJECTION ANTICIPATES A GDR DEFICIT WITH OECD COUNTRIES IN 1973 IN THE RANGE OF VE 1 BILLION, OF WHICH VE 500 MILLION WILL BE ON THE INNER- GERMAN TRADE ACCOUNT. (ONE VE-- VERRECHNUNG EINHEIT-- OR UNIT OF

ACCOUNT-- IS ARTIFICIALLY PEGGED TO EQUAL ONE DM).

5. GDR SALES TO THE FRG IN 1973, LIKE THOSE IN 1972, ARE EXPECTED TO STAGNATE. AGRICULTURAL DELIVERIES COULD RISE, BUT PROSPECTS FOR CHEMICALS, MACHINERY, ELECTRICAL EQUIPMENT, AND TEXTILES ARE DISCOURAGING. FOR INSTANCE, THE KAUF OF DEPARTMENT STORE CHAIN RECENTLY SURVEYED THE POSSIBILITIES OF INCREASING TEXTILE PURCHASES FROM THE GDR BUT CONCLUDED THAT A SHORTAGE OF COMPETITIVE GOODS, RATHER THAN THE FEW EXISTING FRG QUOTAS, MAKES UNLIKELY EXPANDED GDR DELIVERIES. (WE UNDERSTAND THAT CURRENTLY BONN MAINTAINS QUOTAS FOR GDR GOODS ON ONLY 100-110 INDUSTRIAL PRODUCT

CONFIDENTIAL

NNNNMAFVVZCZ

ADP000

CONFIDENTIAL

PAGE 01 BONN 08262 02 OF 03 090608 Z

12

ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

SCEM-02 EB-11 COME-00 TRSE-00 OMB-01 INT-08 STR-08

SAJ-01 NIC-01 ACDA-19 FPC-01 RSR-01 /143 W

----- 042223

R 081840 Z JUN 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5626

INFO AMEMBASSY HELSINKI

AMEMBASSY VIENNA

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

USMISSION BERLIN

USMISSION EC BRUSSELS

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH
AMCONSUL STUTTGART

C O N F I D E N T I A L SECTION 02 OF 03 BONN 08262

TARIFF LISTINGS OUT OF MORE THAN 5000 SUCH LISTINGS IN
THE FEDERAL TRADE REGISTER.)

6. IN GENERAL, FRG DELIVERIES TO THE GDR ARE EXPECTED
TO CONTINUE RISING EVEN WITHOUT OFFICIAL ASSISTANCE.
THIS FACT PLUS THE PREVAILING VIEW REGARDING THE NEED
FOR ECONOMIC STABILITY AND THE RELATIVE DECLINING
POLITICAL IMPORTANCE OF IGT AS PERCEIVED BY ECONOMICS
MINISTRY EXPERTS ALL MITIGATE AGAINST EXTENDING THE
CURRENT GENEROUS FORMULA FOR THE INTEREST- FREE SWING
CONFIDENTIAL
CONFIDENTIAL

PAGE 02 BONN 08262 02 OF 03 090608 Z

CREDIT AFTER THE 1968 AGREEMENT EXPIRES IN 1975. (SEE
REF A FOR AN EXPLANATION OF THE SWING CREDIT.) IN FACT,
FRG OFFICIALS OFTEN SUGGEST THAT THE GDR WILL HAVE TO
MAKE GREATER USE OF THE HARD CURRENCY FUNDS HELD IN ITS
" SPECIAL ACCOUNTS" IN THE BUNDESBANK TO REDUCE ITS
SWING OBLIGATIONS. (THE 1951 INNER- GERMAN TRADE AGREE-
MENT MADE PROVISION FOR THIS HARD CURRENCY ACCOUNT
WHICH THE GDR HAS PERIODICALLY USED TO PAY FOR EMERGENCY
PURCHASES WHEN ITS DEFICIT ON THE SWING ACCOUNT HAS
REACHED THE CEILING LEVEL. IT IS NORMALLY REPLENISHED
BY VARIOUS HARD CURRENCY EARNINGS SUCH AS FRG LUMP SUM
PAYMENTS FOR VISA AND TRANSIT FEES.)

7. FRG OFFICIALS APPEAR DETERMINED TO LET THE SWING
DROP TO VE 200 MILLION IN 1976 (1973 SWING IS VE 620
MILLION) UNLESS TO GDR OFFERS A RECIPROCAL BENEFIT TO
THE FRG. BONN WOULD REGARD AN ADEQUATE QUID PRO QUO FOR
A HIGHER SWING AMOUNT TO BE GDR PERMISSION TO CONSTRUCT
A HIGH VOLTAGE ELECTRIC LINE FROM THE FRG TO WEST
BERLIN (REF A). THE GDR HAS SHOWN LITTLE INTEREST IN
THIS IDEA, ALTHOUGH IN MARCH GDR FOREIGN TRADE MINISTER
SOELLE INDICATED A POSSIBLE WILLINGNESS TO DISCUSS THE
MATTER AT A FUTURE DATE. (REF B).

8. IN ADDITION TO THE HIGH VOLTAGE ELECTRIC LINE,
ECONOMICS MINISTRY STATE SECRETARY ROHWEDDER MADE
SEVERAL OTHER PROPOSALS FOR FRG/ GDR ECONOMIC COOPERATION
IN THE ENERGY, MACHINERY, ELECTRICAL EQUIPMENT, STEEL
PRODUCTS AND COMMUNICATION AREAS TO GDR NEGOTIATOR
BERENDT AT THE SPRING LEIPZIG FAIR. BERENDT DECLINED
AN INVITATION TO DISCUSS THESE PROPOSALS DURING THE
HANNOVER FAIR. HE HAS BEEN INVITED TO COME TO COLOGNE
IN JUNE FOR DISCUSSIONS, BUT HE HAS NOT YET INDICATED
HIS INTENTIONS.

9. FOR COOPERATION IN THE ENERGY SECTOR, ROHWEDDER
RECOMMENDED THAT THE EAST GERMANS PRODUCE ADDITIONAL
ELECTRICITY FROM ITS DECLINING SUPPLIES OF BROWN
COAL FOR DELIVERY TO WEST BERLIN. HE ALSO SUGGESTED 1)
THE CREATION OF AN ELECTRICITY NET WHICH COULD BE FED
WITH ELECTRICAL ENERGY BY BOTH GERMAN STATES, 2) AN UN-
CONFIDENTIAL
CONFIDENTIAL

PAGE 03 BONN 08262 02 OF 03 090608 Z

DERSTANDING REGARDING THE MIDDLE- TERM GDR NEEDS FOR FRG
HARD COAL AND COKE, AND 3) AN EXAMINATION OF THE CON-
DITIONS FOR INCREASING THE RECIPROCAL DELIVERIES OF OIL
PRODUCTS, WHICH COULD INCLUDE THE BUILDING OF A REFINERY
AND AN OIL PRODUCTS PIPELINE. IT IS UNCLEAR WHETHER
THE RECENT GDR PIPELINE PROPOSAL TO THE BERLIN SENAT
IS AN AUTONOMOUS MOVE, OR POSSIBLY A REACTION TO
ROHWEDDER' S SUGGESTION (REF D).

10. IN KEEPING WITH THEIR DEMANDS FOR RECIRPOCITY BUT IN
CONTRADICTION TO THEIR DESIRE TO INCREASE GDR SALES TO
THE FRG, INNER- GERMAN TRADE OFFICIALS HAVE UNILATERALLY

CONFIDENTIAL

NNNNMAFVVZCZ

ADP000
CONFIDENTIAL

PAGE 01 BONN 08262 03 OF 03 090607 Z

14
ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

SCEM-02 EB-11 COME-00 TRSE-00 OMB-01 INT-08 STR-08

SAJ-01 NIC-01 ACDA-19 FPC-01 RSR-01 /143 W
----- 042228

R 081840 Z JUN 73
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5627
INFO AMEMBASSY HELSINKI

AMEMBASSY VIENNA
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY ROME
USMISSION BERLIN
USMISSION EC BRUSSELS
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
AMCONSUL STUTTGART

C O N F I D E N T I A L SECTION 03 OF 03 BONN 08262

PLACED QUOTAS ON ONE SPECIFIC PRODUCT -- GDR STEEL DELIVERIES. ACCORDING TO OLLIG (ECONOMICS MINISTRY), EARLIER IGT AGREEMENTS PROVIDED FOR SUBSTANTIAL FRG STEEL SALES TO THE GDR BUT FOR PRACTICALLY NO GDR DELIVERIES TO WEST GERMANY. OVER THE PAST SEVERAL YEARS, THE FRG HAS AUTONOMOUSLY INCREASED THE NUMBER OF LICENSES FOR GDR STEEL IMPORTS; 1971 GDR DELIVERIES AMOUNTED TO VE 166 MILLION. DURING THE SAME PERIOD, FRG STEEL SALES TO THE GDR FELL BELOW THE LEVEL OF TEN YEARS EARLIER.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 08262 03 OF 03 090607 Z

11. AFTER REPEATED WARNINGS, THE FRG, IN AUGUST, CEASED ISSUING IMPORT LICENSES FOR GDR STEEL FOR THE REMAINDER OF 1972. SUBSEQUENTLY, AUTONOMOUSLY DETERMINED QUOTAS WERE PLACED ON ALL CATEGORIES OF GDR STEEL. FOR 1973, THE FRG HAS UNILATERALLY ESTABLISHED A 2.5/1 RATIO IN FAVOR OF WEST GERMAN STEEL SALES. TO ENFORCE THIS RATIO, BONN DOLES OUT ADDITIONAL LIMITED ALLOTMENTS OF LICENSES ONLY AFTER GDR PURCHASES HAVE REACHED SPECIFIC TARGETS. FOR INSTANCE, FRG PURCHASES OF GDR STEEL WERE LIMITED TO A TOTAL OF VE 20 MILLION UNTIL THE GDR BOUGHT VE 50 MILLION OF FRG STEEL. AT THAT POINT, AN ADDITIONAL ALLOTMENT OF LICENSES WAS MADE AVAILABLE. AS OF MID- MAY, GDR DELIVERIES TO THE FRG AMOUNTED TO VE 72 MILLION. PURCHASES FROM THE GDR HAVE BEEN SUSPENDED UNTIL THE EAST GERMAN PURCHASES OF FRG STEEL RISE TO VE 180 MILLION. THIS RATHER HARD- LINE APPROACH IS INDICATIVE OF THE POLITICAL CLOUD OF THE FRG STEEL INDUSTRY. IT ALSO REFLECTS THE FRG EXPERIENCE THAT A STRICT SYSTEM OF TIT FOR TAT WORKS BEST IN ECONOMIC DEALINGS WITH THE GDR.

12. FRG OFFICIALS EXPECT GDR TRADE WITH OTHER WESTERN STATES TO GROW AT A FASTER RATE IN THE FUTURE THAN IGT.

THEY REALIZE THAT THE FRG' S STERN ATTITUDE WILL PARTIALLY
INDUCE SUCH A DEVELOPMENT. ON THE OTHER HAND, THEY
ARE CONVINCED THAT EAST GERMANY HAS MADE A POLICY JUDG-
MENT IN THIS DIRECTION, PARTIALLY FOR POLITICAL REA-
SONS AND PARTIALLY IN THE HOPE OF TAPPING NEW CREDIT
SOURCES SINCE THE FRG HAS TIGHTENED ITS EARLIER CHEAP
CREDIT SUPPLIES.

HILLENBRAND

CONFIDENTIAL

NNNNMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN08262
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: RR
Errors: n/a
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730621/aaaajcqs.tel
Line Count: 344
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A.BONN A-83, B.BONN 4658, C.BONN A-206, D.BERLIN 951
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 07 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Aug-2001 by kellerpr>; APPROVED <12-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 980209
Subject: INNER- GERMAN TRADE: WEST GERMAN ASSESSMENT IN THE LIGHT OF THE FRG/ GDR BASIC TREATY
TAGS: ETRD, GW
To: BERLIN
EUR
HELSINKI
LONDON
MOSCOW
PARIS
ROME

SECSTATE WASHDC

VIENNA

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005